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USDOC FOR 532/OEA/LHINES/ADYSON  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: PRE-LICENSE CHECK: WALASEY LIMITED

REF: A) USDOC 00800 B) D390096

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO), conducted a pre-license check at Walasey Limited, Room 2403A, 14/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong (Walasey Limited). The purpose of the visit was to determine the suitability of Walasey Limited be a recipient of sixty analog to digital converters that are the subject of export license application D390096. The items (ECCN 3A001) are valued at USD \$5,640 and are controlled for national security (NS) reasons. The license applicant is Kenet, Incorporated of Woburn, Massachusetts.

¶3. A Hong Kong Companies Registry check of Walasey Limited reveals that the company was registered in June 1993. Hong Kong resident Wu, Yuk Hung and mainland Chinese national Sheng, Shih Yun are listed as directors. The company's paid-up share capital is the Hong Kong equivalent of approximately USD 80,000. Further review of the Hong Kong Companies Registry reveals that a number of Hong Kong companies are related to Walasey Limited.

¶4. Companies related to Walasey through director Sheng, Shih Yun: Mr. Sheng is also a director in the following companies: M2C Electronic Technology Limited, Electrend Industrial Limited and Walasey (China) Limited.

¶5. Companies sharing an address with Walasey Limited: Bright Concept Trading Limited is collocated with Walasey. It has been in existence since 2000 and its directors are Hong Kong resident Wong, King Bor and mainland China national Zhang, Zhi Tong.

¶6. Mr. Wong, King Bor, director of Bright Concept Trading Limited is also a director in M2C (Hong Kong) Limited, M2C Electronic Technology Limited (mentioned above), Walasey Technology Limited, Well Time Technology Limited and Mega Bright International Enterprise Limited.

¶7. Mr. Zhu, Yan Hua (mainland Chinese passport number G00063728) is a director of Walasey (China) Limited as well as M2C Electronic Technology Limited, and Well Time Technology Limited (with Mr. Wong, King Bor).

¶8. In sum, Walasey Limited is related in one way or another to at least the following additional companies in Hong Kong: Walasey (China) Limited, M2C Electronic Technology Limited, Well Time Technology Limited, Mega Bright International Enterprise Limited, M2C (Hong Kong) Limited and Electrend Industrial Limited.

¶9. On February 14, 2008, the ECO and Commercial Assistant, Carrie

Chan visited Walasey Limited and met with Mr. Ricky Law, Deputy General Manager of Walasey Technology Limited. He stated that Walasey Limited was established in 1994. It is the distributor and representative for certain brands of electronic components. It is primarily an electronic components reseller and has six offices in mainland China. The Hong Kong office acts as the contact window between those offices and outside suppliers. This is because many of the company's employees in mainland China cannot speak English well and it is also easier to get items through mainland China customs via Hong Kong. In effect, Walasey Limited acts as a consolidator and customs broker for items being sent to customers in mainland China. Mr. Law stated that for some components, Walasey Limited is the exclusive distributor, while for others it is one of many (e.g., Kenet Inc.). Walasey Limited's business focus is on communications components (base stations for SCDMA) and consumer applications (i.e., web cams and radio controlled clocks).

¶10. As to the other related companies, Mr. Law provided the following background at the meeting and by subsequent e-mail:

Walasey Technology Limited: Registered but not active.

Bright Concept Trading Limited: Owned by Mr. Zhang Zhi Tong (99.5 percent) and Mr. Wong, King Bor (0.5 percent). According to Mr. Law, this company is involved in the electronics trading business.

M2C (Hong Kong) Limited: Registered but not active.

M2C Electronic Technology Limited: This company is a developer, producer and marketer of business information displays ([www.m2c-electronics.com](http://www.m2c-electronics.com)). During the February 14th visit, Mr. Law showed the ECO and Commercial Assistant Chan the premises of this company, located next door to the offices of Walasey Limited. According to Mr. Law, this company produces and manages the content display for nationwide information screens in various businesses. The R and D for this company is conducted in Fuzhou, mainland

China.

Mega Bright International Enterprise Limited: Electronics trading company.

Well Time Technology Limited: Electronics trading company.

Electrend Industrial Limited: Electronics trading company.

¶11. As to the specific items in question, Mr. Law stated that there were two potential customers for these items. The first is Jiangsu Luyang Electronic Instrument Group Co., Ltd. ([www.lvyang.com](http://www.lvyang.com)). By subsequent e-mail, Mr. Law provided the ECO with an internal order form from Walasey's Shanghai office and filled out by the company (located in Jiangsu province). According to Mr. Law, this customer's project (involving the production of oscilloscopes) is still in the planning stages and they are only requesting a sample of the product.

¶12. According to Mr. Law, the second customer for the applicable items is Nanjing Nanrui electronic Tech Co., located in Nanjing, mainland China. According to Mr. Law, this second customer will use the items in the production of high resolution medical devices.

¶13. The ECO found Mr. Law to be open and cooperative. His explanations appeared credible and generally consistent with information independently obtained by the ECO. At the same time, ECO is concerned by the large number of collocated and interrelated companies uncovered during this check and the lack of an apparent clear delineation between these companies and their business purposes. Also, aside from the web site for Walasey and M2C, none of the other companies appears to have any web presence (typical for many electronics trading firms).

Cunningham